Chapter 11: Deferred Compensation

General Information

The Deferred Compensation Program (DCP) is an Internal Revenue Code (IRC) Section 457 program that provides an opportunity for employees to set aside pretax dollars into a supplemental retirement account. Deferred compensation is an agreement between employee and employer to postpone part of the employee's income until separation from service.

Amounts deferred are held in trust by the Washington State Investment Board for the exclusive benefit of program participants and their beneficiaries. Income deferred reduces the taxable income reported on the employee's Form W-2 for the calendar year in which it was deferred.

Any state employee (full-time, part-time, working a regular schedule or career seasonal) and any elected or appointed official of the State is eligible to participate. Political subdivision employees may participate subject to any employer restrictions.

Employer Participation in DCP

The DCP is available to all state agencies and higher education institutions. Political subdivision and school district employers may add this program to their benefit package, provided their governing body adopts a resolution. Information regarding agency enrollment is available by calling a DCP Marketing Representative at (360) 664-7111 or toll free at 1-800-423-1524 Voice/TT.

Employee Enrollment

Employees may enroll in DCP by completing a Participation Agreement (PA) (shown on page 11—3) and returning the completed form to the DCP office. Upon approval, for employers who use the paper reporting method, DCP will mail a DCP Deferral Amount Change Report with the DCP Transmittal Report to the employee's payroll office. Higher education employers will receive the Change Report with a Banner Page (see page 11—8). The Change Report will reflect the pay date deferrals should begin and reflects the amount elected by the employee for both new participants and participants who are requesting a change to their deferral amount. Political subdivision and higher education employers

cannot start, stop, increase or decrease an employee's deferral until the Deferral Change Report is received.

PA is a three-part form. If the employer requires a signed authorization from the employee for establishing a deferral, the employee should submit the employer's copy of the PA to the payroll office at the same time the original PA is submitted to DCP. The employee should retain the third copy of the PA.

Participants should use the Maximum Deferral Worksheet (see page 11—4) prior to enrolling and/or changing their deferral amount. This form is a tool to help both participants and employers ensure the participant does not exceed the allowed maximum annual deferral.

Changing or Suspending Deferrals

Employees may change or stop their payroll deduction at any time by calling the DCP Information Line toll free at 1-888-327-5596, select option 1, and follow the main menu. Employees can also make changes by accessing their accounts on the DRS Web site at www.wa.gov/DRS/dcp. Changes can also be made using paper forms, however, the effective date of the change will be the date the DCP third party record keeper receives the form and enters the information into the DCP record keeping system. All deferral changes, including suspensions, will be reported to the political subdivision or higher education institution employers on the DCP Deferral Amount Change Report for use in updating the payroll system.

DCP will mail the confirmation to the employee within two days after an employee request for a deferral change is processed by DCP. If the employer requires a signed authorization to make a deferral change in the payroll system, the employee should be instructed to provide a signed copy of the deferral change confirmation to the payroll office.

PARTICIPATION AGREEMENT

DCP DEFERRED COMPENSATION PROGRAM

**STATE OF WASHINGTON
DEPARTMENT OF RETIREMENT SYSTEMS**

Mail To:
PO Box 40931
Olympia, Washington 98504-0931
Toll Free: 1-888-327-5596
TDD: 1-877-847-6041

Social Security Number	Employer Name

Employee Name Last First Middle Initial	Day Phone ( )

Street Address	Evening Phone ( )

City	State	Zip + 4	Birthdate MM DD YYYY	Gender ☐ M ☐ F

Deferral Information

I authorize my employer to defer $ _____ OR _____ % from my pay monthly (see instructions).

Investment Allocations

(Use whole percentages only)

(10) Savings Pool	_____%	(40) Fidelity Equity Income	_____%
(25) WA State Bond Fund	_____%	(50) US Stock Market Index	_____%
(70) WA State Short-Horizon	_____%	(60) Fidelity Independence	_____%
(71) WA State Mid-Horizon	_____%	(75) Fidelity Growth Company	_____%
(72) WA State Long-Horizon	_____%	(77) Fidelity Overseas	_____%
(30) CSIF Balanced Portfolio	_____%	TOTAL must equal	**100%**

Beneficiary Designation

I understand if I select more than one Primary Beneficiary or more than one Contingent Beneficiary, the total percentage(s) (whole numbers only) for each category must add up to 100%. I wish to designate the following beneficiary(ies) in accordance with the provisions of the Plan:

Primary **X**					**%**
	Social Security Number	Name: Last, First, MI	Relationship	Date of Birth	Percentage
	Address: Number	Street	City	State	Zip

Check One: ☐ ☐ Primary Contingent					**%**
	Social Security Number	Name: Last, First, MI	Relationship	Date of Birth	Percentage
	Address: Number	Street	City	State	Zip

Check One: ☐ ☐ Primary Contingent					**%**
	Social Security Number	Name: Last, First, MI	Relationship	Date of Birth	Percentage
	Address: Number	Street	City	State	Zip

Important: Read before signing. I authorize my employer to deduct the amount or percentage set forth above each month and transmit to the Deferred Compensation Program. I further authorize my employer to deduct any deferral changes I request through the Deferred Compensation Program in the future. This agreement will continue until further notification by me, as set forth in the plan. I understand a plan expense will be applied to my account value. I acknowledge I have read and understand all sections of the "Memo of Understanding" of this agreement.

X_____

DRS D 112 (10/01)   Employee Signature   Date   Send Original to DCP and make a copy for your files

MAXIMUM DEFERRAL WORKSHEET

DCP

DEFERRED COMPENSATION PROGRAM

**STATE OF WASHINGTON
DEPARTMENT OF RETIREMENT SYSTEMS**

When deferring a specified amount of your salary through the Deferred Compensation Program (DCP), your gross salary will be reduced each month by the amount that you have elected to defer. Your deferral cannot exceed 50% of your taxable compensation, limited to $916 monthly ($11,000 annually). This worksheet will help you determine your limit. If your annual salary is paid in less than 12 months, contact DCP for instructions.

Instructions

Line 1: Enter your gross monthly salary. (If paid hourly, enter your estimated gross monthly salary.)
Line 2: Enter your retirement percentage contribution, if tax deferred. If contribution is taxed, enter zero.

Retirement contribution rates effective **September 1, 2001**
PERS 1 -   6%
PERS 2 -   0.88%   Example: For 0.88%, enter 0.0088 on Line 2.
SERS 2 -   0.88%
TRS 1 -   6%
TRS 2 -   1.23%
TRS 3/SERS 3 - % rate selected
LEOFF 1 -   0%
LEOFF 2 -   4.5%
WSP -   2%
Higher Education Basic Retirement Plans - % rate selected

Line 3: Multiply Line 1 by Line 2 and enter in Line 3.
Line 4: Enter your monthly pre-tax insurance premium with Heath Care Authority.
Line 5: Enter your monthly Dependent Care Assistance reduction if you participate.
Line 6: Enter any additional monthly 401(k) or 403(b) contributions.
Line 7: Subtract Lines 3 through 6 from Line 1 to calculate your "Adjusted Gross Monthly Salary."
Line 8: Multiply Line 7 times 50%.
Line 9: Enter any monthly deferral to another 457 plan.
Line 10: Subtract Line 9 from Line 8 to calculate your "DCP Maximum Monthly Contribution". This may not exceed $916 monthly ($11,000 annually).

Calculator

Example

1. Enter your gross monthly salary	1.	$ 2,000	$ _____
2. Enter your retirement percentage	2.	X 0.0088	X _____
3. Multiply Line 1 by Line 2	3.	$ — 18	$ — _____
4. Enter your pre-tax insurance premium	4.	$ — 10	$ — _____
5. Enter Dependent Care Assistance monthly reduction	5.	$ — 400	$ — _____
6. Enter any additional 401(k) or 403(b) contributions	6.	$ — 100	$ — _____
7. Subtract Lines 3,4,5 and 6 from Line 1 to calculate your "Adjusted Gross Monthly Salary"	7.	$ 1,472 X 0.50	$ _____ X 0.50
8. Multiply Line 7 by 50%	8.	$ 736	$ _____
9. Subtract any other 457 plan monthly deferral	9.	$ — 100	$ — _____
10. Your DCP maximum monthly deferral (May not exceed $916 monthly)	10.	$ **636**	$ _____

(Numbers are rounded to the nearest dollar)

Deferrals from Annual and/or Sick Leave Cashout Payments

Employees may arrange to defer a portion of a cashout payment for unused annual and/or sick leave upon separation from service.

State Agencies

Deferrals from annual and/or sick leave cashout payments are electronically transmitted to the payroll system after being updated by DRS. The following instructions are for deferrals from annual and/or sick leave cashout payments:

1. DRS will e-mail the appropriate payroll when they receive an annual and/or sick leave cashout request:
   - Name of the participant;
   - last four digits of the participant's Social Security number;
   - amount of cashout;
   - date we expect the deferral.

2. The deferral must be taken only from the sick and annual leave cashout amount and must be the only deferral taken on the payroll date indicated.

If you have questions about the cashout or if it will not be paid on the date indicated on the e-mail, please contact DCP customer service toll free at 1-800-423-1524. If you need help with payroll data input, please contact the HRISD, Help Desk at (360) 664-6400.

Political Subdivisions and Higher Education Institutions

For questions related to deferrals from annual and/or sick leave cashout payments for political subdivisions or higher education employees, please contact DCP customer service toll free at 1-800-423-1524.

Political Subdivision Reporting

You will receive a transmittal report for each pay period you are reporting, consisting of a banner page, the DCP Deferral Amount Change Report, the DCP Payment Advice form and the DCP Transmittal Report. You will find examples of each on pages 11—8 through 11—11.

Banner Page

The reports have a cover sheet called the banner page. This page is primarily used to identify the employer receiving the report. The banner page also provides such information as:
- the employer's address for mailing reports;
- the return address for mailing payments;
- a message area; and
- a telephone number to call for assistance.

Deferral Change Report

You will receive the DCP Deferral Amount Change Report authorizing payroll deduction to Deferred Compensation. Deferral(s) should begin according to the effective pay date listed on this report. You will receive the same report whenever a participant requests to stop their deferrals.

If you have questions about enrollment, deferral revisions or the program, please call DCP Accounting Services at (360) 664-7111 or toll free at 1-800-423-1524 Voice/TT.

Payment Requirements

When mailing the payment, please include the Payment Advice form. (All checks should be made payable to the Department of Retirement Systems, Deferred Compensation Program)

These documents should be mailed with the DCP Transmittal Report (see page 11—11).

DCP Transmittal Report Packet

Each month (or twice a month for employers with more than one pay date) you will receive the DCP Transmittal Report. Please make the necessary changes (add termination date information, name changes, etc.), make a photocopy for your records and return with your check for the same amount as stated on the DCP Transmittal Report. An example of the DCP Transmittal Report packet you will receive prior to your payroll cutoff date is shown on pages 11–8 through 11—11.

Failure to return the DCP Transmittal Report with your check and the Payment Advice form may result in delay of deferral investment.

For reporting procedure questions, please call DCP Accounting Services at (360) 664-7111 or toll free at 1-800 423-1524.

WASHINGTON STATE DEPARTMENT OF RETIREMENT SYSTEMS

PO Box 48380 Olympia Washington 98504-8380

System	**Deferred Compensation Program**

Employer Information

Reporting Group) Number:
Employer Organization Number:

899Z99
9999

Make address
Changes here
and return to DRS

PAYROLL CONFIDENTIAL
SOMEWHERE CITY OF
123 MAIN ST
SOMEWHERE   WA   98000-9090

DRS Address

*   Mail deferral transmittal, payment, and payment advice to:

Department of Retirement Systems
PO Box 9018
Olympia WA 98507-9018

Employers should review the Deferral Amount Change Report and input deferral changes each pay period. Employee name and address changes and termination dates must be reported on the Transmittal Report. Call DCP whenever you have a question on how to report participant information..

Please submit payment with the Payment Advice and Transmittal Report on or within two days of pay day to support timely investment of employee deferrals.

Questions?

*   For more information about transmittal reporting, see your DRS EMPLOYER HANDBOOK.

*   For transmittal reporting questions, call:

DCP Accounting Services: (360) 664-7111
  or our 800 Number: 1 (800) 423-1524

PROGRAM : P31ER124	Washington State Department of Retirement Systems	Page No: 1
Run Date : 09/02/01	**DCP DEFERRAL AMOUNT CHANGE REPORT**	Reporting Period: 09/2001
		Ver/Exp: 02 of 02
Reporting Group: 899Z99	SOMEWHERE CITY OF	System: D Plan: 1

Soc Sec Num	Participant	Effective Pay Date	Deferral Amount
==========	====================	==============	=============
221 31 8789	WELLINGTON, GEORGE	09/16/2001	$200.00
201 56 8899	DEADWOOD, ROSE	09/16/2001	$50.00
536 05 7776	JOHNSON, SAM	09/16/2001	$0.00

**State of Washington
Department of Retirement Systems**

**Deferred Compensation Program
PAYMENT ADVICE**

Employer Name:	*SOMEWHERE CITY OF*
Reporting Group:	*899Z99*

Payment Number	Reporting Period	Version/Expected	Amount
87231	*09/2001*	*02 of 02*	*$750.00*

System Total for This Page	$750.00

Mail this form and DCP Transmittal Report *with payment* to: **Department of Retirement Systems** **PO Box 9018** **Olympia WA 98507-9018**	**For DRS use only**
	DRS Receipt Number:

DRS D 127(6/00)

Washington State Department of Retirement Systems

DCP Transmittal Report

Report Group	Employer Name	Sys/Plan	Rpt Period	Ver/Exp	Prepared by	Phone		Page
899Z99	SOMEWHERE, CITY OF	D 1	09/2001	02 of 02	SUSAN SMITH	(360) 555-9999		1

Participant Information

					Deferral Amount	Employment Term Date
SSN: 431 85 4698 Name: ANDERSON, JAMES	Gender: M	Birth 04/16/1964			$100.00	
Address 123 WASHINGTON ST	OLYMPIA	WA	98506			
SSN: 550 87 9876 Name: BEMER, IONA	Gender: F	Birth 05/22/1959			$100.00	
Address 5426 FIRST AVE	OLYMPIA	WA	98506			
SSN: 201 56 8899 Name: DEADWOOD, ROSE	Gender: F	Birth 09/02/1970			$50.00	
Address 85 THIRD ST	TUMWATER	WA	98501			
SSN: 305 66 3232 Name: SMITH, BRIAN	Gender: M	Birth 12/10/1963			$300.00	
Address 2702 JAMISON RD	LACEY	WA	98513			
SSN: 221 31 8789 Name: WELLINGTON, GEORGE	Gender: M	Birth 02/26/1967			$200.00	
Address 6447 MAIN ST #23	TUMWATER	WA	98501			

Instructions:
1. Verify preprinted information.
2. To make necessary changes, cross out preprinted data and enter changes in the space provided.
3. Copy completed report for your records.

Page Total	$750.00
	$750.00

Run Date
09/02/01

Washington State Department of Retirement Systems

DCP Transmittal Report

Report Group	Employer Name	Sys/Plan	Rpt Period	Ver/Exp	Prepared by	Phone	Page
899Z99	SOMEWHERE, CITY OF	D 1	09/2001	02 of 02	SUSAN SMITH	(360) 555-9999	1

Participant Information

				Deferral Amount	Employment Term Date
SSN: 431 85 4698 Name: ANDERSON, JAMES Gender: M Birth 04/16/1964				$100.00	
Address ~~123 WASHINGTON~~tttttttttttt ~~ST~~ *3254 Arlington Rd*. ~~OLYMPIA~~ *Lacey* WA ~~98506~~					
SSN: 550 87 9876 Name: BEMER, IONA Gender: F Birth 05/22/1959				$100.00	
Address 5426 FIRST AVE OLYMPIA WA 98506					
SSN: 201 56 8899 Name: DEADWOOD, ROSE Gender: F Birth 09/02/1970				$50.00	
Address 85 THIRD ST TUMWATER WA 98501					
SSN: 305 66 3232 Name: SMITH, BRIAN Gender: M Birth 12/10/1963				$300.00	
Address 2702 JAMISON RD LACEY WA 98513					*07/15/2001*
SSN: 221 31 8789 Name: WELLINGTON, GEORGE Gender: M Birth 02/26/1967				$200.00	
Address 6447 MAIN ST #23 TUMWATER WA 98501					
SSN: *356 87 5245* Name: *Johnson,* Gender: Birth *06/04/1974*					
Address *802 Adams Ave* *Olympia* *WA*				*$0.00*	*07/15/2001*

Page Total	$750.00
	$750.00

Instructions:
1. Verify preprinted information.
2. To make necessary changes, cross out preprinted data and enter changes in the space provided.
3. Copy completed report for your records.

Run Date:

09/01/2001

Form W-2 Requirements

IRC Section 457 deferred compensation deductions are reported on IRS Form W-2 at year-end. In Box 1, "Wages, Tips, Other Compensation" reduce the amount by the amount contributed to Deferred Compensation. In Box 12, enter a capital "G" and the amount the employee contributed to IRC Section 457.

If you have questions about Form W-2 requirements, please refer to the W-2 instructions or call DCP Accounting Services at (360) 664-7111 or toll free at 1-800-423-1524.

Name/Address Changes for DCP Quarterly Statements

Quarterly statements will be mailed directly to employee homes every three months. Employee name and address records are kept current by employers reporting updates as necessary.

Questions?

For employee enrollment, deferral modification or general DCP inquiries, please call the DCP office at (360) 664-7111 or toll free at 1-800-423-1524 Voice/TT.

For group presentations, political subdivision agency enrollment and marketing, please call DCP Marketing at (360) 664-7111 or toll free at 1-800-423-1524 Voice/TT.

For payment, transmittal reporting and Form W-2 inquiries, please call DCP Accounting Services at (360) 664-7111 or toll free at 1-800-423-1524.

DCP Manual (Paper) Transmittal Reporting

Required Information

Employers who report manually (with paper) use the "DCP Transmittal Report." This report is organized into four distinct sections: header, participant information, deferral information and page and system totals. The following pages provide an explanation of each of these sections. See page 11—11 for an example.

Header Section

The header section is used to identify the reporting employer. This section contains the following fields.

Reporting Group Number

Each employer is assigned a unique number that identifies the employer and the system in which the employer participates. Reporting Group numbers range from three to six characters.

Employer Name

This field identifies the organization name of the reporting group, as it is stored in DRS's database. Contact DCP Accounting Services if the name preprinted on the transmittal report should be changed.

System and Plan

This field identifies the Deferred Compensation Program and Plan, which is always "D 1."

Reporting Period

This field identifies the month and year for which information is being reported. The reporting period is six characters formatted MM/YYYY. For example, a reporting period of October 2001 is entered: 10/2001.

The reporting period printed on the report cannot be changed. The report for a given reporting period will not be processed until the report for the preceding reporting period has been processed.

Version/Expected

This field identifies the Report Version Number and Expected Monthly Reports. "01 of 01" identifies an employer with only one payday per

month. "01 of 02" or "02 of 02" identifies an employer with two paydays per month.

Prepared By

This field identifies the name of the individual responsible for preparing the report. Contact DCP Accounting Services if the name preprinted on the transmittal report should be changed.

Telephone

This field identifies the telephone number of the individual responsible for preparing the transmittal report. Contact DCP Accounting Services if the telephone number preprinted on the transmittal report should be changed.

Page

This field identifies the page number of the report. The last page of the report is used to record the page and system totals.

Participant Information

The Participant Information section is used to provide basic identifying information about each individual being reported. This section contains the following fields.

Social Security Number

This field identifies the participant's Social Security number.

Name

This field identifies the name of the participant and is listed as follows:

Last name—followed by a comma and one space
First name—followed by one space
Middle name or initial—*not* followed by any punctuation

<u>Example</u>**:** Rosalie Marie Hart is reported: Hart, Rosalie M.

Gender

This one-letter code identifies the gender of the participant you report. Valid codes are:

F   Female
M   Male

Birth

The birth date identifies the month, day, and year the individual was born. The birth date is eight characters, formatted MM/DD/YYYY. For example, March 3, 1951, is entered: 03/03/1951.

Address

This field identifies the participant's mailing address.

Deferral Information

Deferral Amount

This field identifies the amount your employee has requested to be deducted from their check and deferred from federal income tax.

Employment Termination Date

Use this field to report a participant's employment termination date.

Page and System Totals

The Page and System Totals section is used to indicate the total deferral amount being reported. This section contains the following fields.

Page Total

This field is used to enter the total amount of deferrals per page.

System Total

This field is used to enter the total amount of deferrals. If multiple pages are used to report the deferrals, enter the system total on the last page of the report.

Procedures for DCP Manual (Paper) Reporting

The following pages describe some common procedures for DCP transmittal reporting using the "DCP Transmittal Report." For additional details about these procedures or for information about procedures not covered on these pages, please contact DCP Accounting Services.

General Procedures

When working with this report:

- Check to see if the information; e.g., address for a participant is still correct. If it is not, you need to correct it.

- Make changes or enter new information, using red ink. Red ink is easier for DCP Accounting Services personnel to read and helps ensure that changes are entered correctly when your transmittal report is processed.

- Change data in the Participant Information section by crossing out the incorrect information. Using red ink, write the correct information next to the information you are changing.

- Adjust the page totals as necessary; after you have made your changes adjust the system total.

- Review the contact information in the header. If your contact name or telephone number has changed, inform DRS by making the change in red ink on the transmittal form. Use the address change area of the banner page to notify DRS of changes in your transmittal report address and return the banner page with the transmittal.

- Make a copy of the transmittal report for your records and send with the Payment Advice form and payment before, on or soon after each payday.

Changing Participant Information

Most information in the Participant Information section will remain the same each month. If it changes, you will need to correct it. If an employee changes names or an address, draw a line through the preprinted information and add the correct information to the right of the preprinted information.

Corrections to the Deferral Amount

You can make corrections on your transmittal report. The adding/subtracting method allows you to use a single line to make a correction to a participant's deferral amount.

Note: To adjust a DCP participant's deferral, determine the current deduction. Then add to or subtract from this amount to determine the appropriate amount to report to DRS. Employers should contact DCP Accounting Services before making this type of adjustment.

Adjusting Page and System Totals

If you change an employee's reported deferral amount, you must adjust the page and system totals. Page totals must be entered on each page of the report. System totals must be entered on the last page of the report.

Separating Employees from the Transmittal Report

Use the Employment Termination Date column to submit the participant's employment termination date.

New DCP Participants are listed on the DCP Deferral Amount Change Report

Note: Employers should not establish a DCP deduction before receiving approval from DRS. We recommend participants use the Maximum Deferral Worksheet each time a deferral amount is changed.

PROGRAM : P31ER124	Washington State Department of Retirement Systems	Page No: 1
Run Date : 09/02/01	**DCP DEFERRAL AMOUNT CHANGE REPORT**	Reporting Period: 09/2001
		Ver/Exp: 02 of 02

Reporting Group (Agency.) :	899Z99	SOMEWHERE, CITY OF	System: D	Plan: 1

Soc Sec Num	Participant	Effective Pay Date	Deferral Amount
221 31 8789	WELLINGTON, GEORGE	09/16/2001	$200.00
202 56 8899	DEADWOOD, ROSE	09/16/2001	$50.00
536 05 7776	JOHNSON, SAM	09/16/2001	$0.00

Note: Participants on the Change Report will be on the Transmittal Report except for participants listed on the Change Report with a zero deferral amount.